

Message Text

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USMISSION NATO

AMEMBASSY PARIS

AMEMBASSY VIENNA

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

USCINCEUR

CINCUSAREUR

CINCUSAFE

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C O N F I D E N T I A L SECTION 1 OF 5 USBERLIN 0164

USCINCEUR FOR POLAD

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E.O. 11652: GDS

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SUBJECT: BERLIN: US POLICY AND ASSESSMENT

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1. SUMMARY: BERLIN WEATHERED WELL THE CHALLENGES

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OF 1975. THE US WITHDRAWAL FROM VIETNAM AND THE

GERMAN RECESSION BROUGHT PASSING NERVOUSNESS TO THE CITY AS DID THE LORENZ KIDNAPPING IN FEBRUARY. CORRECTIVE MEASURES INCLUDING CLEAR US RESTATEMENTS OF ITS COMMITMENT TO BERLIN, FRG ANTI-RECESSION MEASURES, AND THE APPREHENSION OF MOST KEY ANARCHISTS INVOLVED IN THE LORENZ KIDNAPPING SOFTENED THE IMPACT OF THESE NEGATIVE DEVELOPMENTS. IF \$748, & 1975, THE ECONOMY AND ESPECIALLY ITS INDUSTRIAL SECTOR LAGGED, THE UNIVERSITIES CONTINUED THEIR SLOW COMEBACK FROM THE LEFTIST EXCESSES OF PAST YEARS. AN SPD-FDP COALITION WAS INSTALLED AS A RESULT OF THE MARCH ELECTION AND APPEARS TO BE GOVERNING IN A COMPETENT, IF NOT SPECTACULAR, FASHION. ALTHOUGH THE SOVIETS MAINTAINED A DRUM FIRE OF CRITICISM THROUGHOUT THE YEAR ABOUT THE FRG PRESENCE IN BERLIN AND THE FRG ROLE IN REPRESENTING WEST BERLIN ABROAD, ALLIED RIGHTS

WERE NOT SERIOUSLY CHALLENGED. WEST BERLINERS MADE ALMOST RECORD USE OF THE QA-CREATED POSSIBILITIES TO VISIT EAST GERMANY AND EAST BERLIN, AND SOME INFRASTRUCTURE PROBLEMS WERE SOLVED, NOTABLY THE LONG-TERM GARBAGE DISPOSAL ARRANGEMENT WITH THE GDR. ALL IN ALL, THE CITY MANAGED WELL IN A PERIOD OF WORLDWIDE ECONOMIC DOWNTURN.

2. DESPITE THIS GOOD SHOWING, THE BASIC CONCERN THAT THEIR CITY IS CONDEMNED OVER TIME TO SLIDE INTO SECOND-CLASS STATUS REMAINED IN THE MINDS OF THE BERLINERS. A 1975 POPULATION LOSS OF ABOUT 35,000 PROBABLY BROUGHT WEST BERLIN'S POPULATION BELOW TWO MILLION FOR THE FIRST TIME SINCE THE IMMEDIATE POST-WAR PERIOD. THE NUMBER OF INDUSTRIAL JOBS AND CONSEQUENTLY THE INDUSTRIAL WORK FORCE, A CRITICAL ELEMENT IN BERLIN'S VITALITY, DROPPED AGAIN AND UNEMPLOYMENT ROSE TO 4.2 PERCENT, ABOUT ONE PERCENT BELOW THE FRG. TWO AMERICAN COMPANIES CEASED PRODUCTION OPERATIONS IN THE CITY DURING THE YEAR, WHILE SOME GERMAN CORPORATIONS REDUCED THEIR BERLIN OPERATIONS. ALTHOUGH CHARTERED AIR-

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LINE TRAVEL INCREASED, SCHEDULED AIRLINE TRAFFIC VOLUME CONTINUED ITS DOWNWARD SPIRAL AS WEST BERLINERS AND VISITORS MADE GREATER USE OF THE AUTOBAHN AND RAILROADS. ON THE PLUS SIDE WERE THE GOOD SHOWING OF TOURISM AND EXHIBITION ACTIVITY IN THE CITY, THE STEADY CONSTRUCTION OF NEW APARTMENTS, ROADS, SCHOOLS AND OTHER SOCIAL INFRASTRUCTURE AND THE APPARENTLY SUCCESSFUL EFFORTS

Z LLOR SCHMIDT TO GET FRG CORPORATIONS
THINKING MORE ABOUT BERLIN.

3. FRG-BERLIN DOMESTIC RELATIONS REMAINED FAIRLY
GOOD, DESPITE OCCASIONAL FRICTION BETWEEN SCHUETZ
AND SCHMIDT. THE BERLIN LEADERSHIP MUST CLAMOR IN
THE NATURE OF THINGS FOR GREATER FRG INVOLVEMENT IN
THE CITY, NO MATTER HOW BERLIN-ORIENTED THE BONN
GOVERNMENT MAY BE AT A GIVEN TIME. WITH RESPECT
TO SCHMIDT, WE SHARE THE VIEW OF THOSE BERLINERS WHO
BELIEVE HE IS DOING A CREDITABLE JOB FOR THE CITY,
DESPITE THE FACT HE HAS NO PERSONAL BERLIN
CONNECTIONS. THE RISE IN SUBSIDIES, THE APPOINTMENT
OF PERSONS RESPONSIBLE FOR BERLIN IN MAJOR FRG
CORPORATIONS AND THE SUCCESSFUL OUTCOME FOR BERLIN
OF LAST YEAR'S FRG-GDR NEGOTIATIONS ALL ARGUE THAT
THE BONN COALITION GOVERNMENT IS DOING ITS BIT FOR
BERLIN.

4. EACH OF THE ALLIES, BUT THE US MORE THAN THE
BRITISH AND FRENCH, CONSPICUOUSLY DEMONSTRATED
THEIR ATTACHMENT TO BERLIN DURING THE PAST YEAR.
IN THE US CASE, THE VISIT OF SENATORS HUMPHREY
AND SCOTT IN APRIL, THE MAY VISIT BY THE SECRETARY,
THE STRONG DECLARATIONS AT TWO NATO SUMMITS AS
WELL AS BY PRESIDENT FORD AT THE CSCE SUMMIT, AND
THE OUTSTANDING RECEPTION GIVEN GOVERNING MAYOR
SCHUETZ BY THE USG IN NOVEMBER, PUT TO REST WHAT
MINIMAL NERVOUSNESS THERE MIGHT HAVE BEEN AFTER THE
US WITHDRAWAL FROM VIETNAM. BERLINERS FINISHED THE
YEAR ASSURED THAT THE US COMMITMENT TO THEIR CITY IS
AS FIRM AS EVER AND THAT BERLIN, AS A TEST OF
DETENTE, OCCUPIES A PERMANENT AND SPECIAL PLACE IN
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US FOREIGN POLICY PLANNING. SOME 68 PERCENT OF
BERLINERS POLLED BY THE INFAS PUBLIC OPINION
ORGANIZATION LAST SUMMER STATED THEIR BELIEF THAT
THE WESTERN ALLIES (READ THE UNITED STATES) WILL
PROTECT THE FREEDOM OF WEST BERLINERS UNDER ALL
CIRCUMSTANCES. ONLY 15 PERCENT DISAGREED.

5. IN LIGHT OF THE US PERFORMANCE LAST YEAR, ONE
CAN ONLY RECOMMEND MORE OF THE SAME. IN 1976 THE
US SHOULD CONTINUE TO SEEK APPROPRIATE OPPORTUNITIES
TO REASSURE THE ALWAYS CONCERNED BERLINERS ABOUT
ITS COMMITMENT: AS IN 1975, WE SHOULD NOT ATTACH
SO MUCH CONSPICUOUS IMPORTANCE TO OUR NEW RELATION-
SHIP WITH THE GDR AS TO CREATE ANY DOUBT ABOUT US
PRIORITIES IN CENTRAL EUROPE. WE SHOULD CONTINUE

TO RESPOND PROMPTLY AND DIRECTLY TO SOVIET
EFFORTS TO STRETCH THE EASTERN INTERPRETATION OF
THE QA BEYOND REASONABLE LIMITS. BEARING IN MIND
THAT THE FRG IS RESPONSIBLE FOR WEST BERLIN'S
ECONOMIC AND SOCIAL VIABILITY, WE SHOULD SUPPORT
FRG EFFORTS TO BOLSTER THE CITY, ALTHOUGH REMAINING CAUTIOUS
WITH RESPECT TO STATUS QUESTIONS AND POLITICALLY SENSITIVE
PROPOSALS. THIS BLEND OF HELPFULNESS TO THE FRG, COMBINED WITH SOBER
BUT FIRM RESISTANCE TO SOVIET ENCROACHMENT, WAS
SUCCESSFUL IN 1975 AND PROVIDES THE BEST MEANS OF
ASSURING BERLIN A POLITICALLY PEACEFUL 1976 IN WHICH TO
DEVELOP. END SUMMARY.

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AMEMBASSY VIENNA

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

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6. DESPITE THE CONSCIOUS POLICY OF THE SPRINGER PRESS AND SOME CDU POLITICIANS OF PORTRAYING WEST BERLIN IN DARK TERMS, FEW BERLINERS WE KNOW ARGUE AGAINST THE REALITY THAT THEY LIVE BETTER AND MORE SECURELY TODAY THEN AT ANY TIME SINCE THE WAR. MORE THAN HALF THE BERLINERS TOLD INFAS OVER SEVERAL POLLS DURING 1975 THAT THEY VIEW THEIR CITY'S FUTURE WITH CONFIDENCE. ONLY ONE THIRD EXPRESSED CONCERN, A
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RATION ABOUT THE SAME AS THE POLLS HAVE PRODUCED OVER THE PAST YEARS EXCEPT FOR OCCASIONAL TEMPORARY FLUCTUATIONS, SUCH AS OCCURRED AFTER THE INVASION OF CZECHOSLOVAKIA. TO BE ABLE TO DRIVE TO WEST GERMANY AND TO GO BY CAR TO SEE ONE'S RELATIVES IN EAST BERLIN AND EAST GERMANY (BERLINERS MADE 2.7 MILLION SUCH TRIPS IN 1975) WITHOUT REAL FEAR OF POLITICAL HARASSMENT ARE NOW PART OF THE DAILY LIVES OF MOST BERLINERS, A POSSIBILITY WHICH DID NOT EXIST BEFORE THE WAR. WHEN 86 PERCENT OF THE BERLINERS SAY THEY FAVOR NEGOTIATIONS WITH THE GDR, THEY ARE IN EFFECT SAYING THAT PAST NEGOTIATIONS IMPROVED THEIR LIVING CONDITIONS AND THAT THEY HOPE FOR MORE OF THE SAME.

7. NEVERTHELESS, BERLIN REMAINS AN ISLAND CITY, CUT OFF FROM ITS HINTERLAND AND THUS DISADVANTAGED IN CRITICAL REASONS. FOR 1,000 YEARS IT DREW POPULATION FROM THE BRANDENBURG PLAIN AND SURROUNDING AREAS, WHICH IT CAN NO LONGER DO. IT WAS THE HUB OF MODERN GERMANY HISTORY WHICH IT IS NO LONGER. MORE RECENTLY, IT WAS THE WEST'S FRONTIER CITY, A ROLE WHICH HAS LOST MUCH OF ITS DRAMA WITH THE GROWTH OF DETENTE. IT ONCE HAD EUROPE'S GREATEST CONCENTRATION OF SCIENTISTS, WRITERS, AND ARTISTS, BUT NOW PLAYS A MAJOR ROLE ONLY IN THE DIFFUSED POST-WAR GERMAN INTELLECTUAL SCENE. IT IS NO LONGER ABLE TO PROVIDE TRAINING

GROUND FOR THE BRIGHTEST FROM MIDDLE AND EAST ELBIAN GERMANY BUT MUST COMPETE FOR FRESH BLOOD FROM GERMANY'S WESTERN PROVINCES WITH THE PROSPEROUS CITIES OF THE FRG. PLACED BY GEOGRAPHY IN A UNIQUE POSITION TO SERVE AS AN EAST-WEST MEETING PLACE. THIS NEW ROLE HAS SO FAR FAILED TO MATERIALIZE

BECAUSE OF EASTERN POLITICAL OBJECTIONS. BERLINERS
FACE UP TO BUT DO NOT MUCH LIKE THE PROSPECT OF
CREEPING PROVINCIALISM IN THE YEARS TO COME.

8. THE LOCAL POLITICIANS SEEM MORE PAROCHIAL AS
TIME PASSES, NOTWITHSTANDING THE UNUSUAL DEGREE
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OF RESPECT WHICH BERLINERS HAVE FOR GOVERNING MAYOR
SCHUETZ. THE CHALLENGE THAT EVENTS POSED FOR
REUTER AND BRADNT AND TO WHICH THEY PROVED SO EQUAL
IS SIMPLY NOT THERE TODAY TO MAKE WORLD FIGURES OF
THE NEW GENERATION OF BERLIN POLICY UN WHATEVER
THEIR PERSONAL QUALITIES. SCHUETZ, HOWEVER, HAS
FOUND THE RIGHT TONE AS A GOVERNING MAYOR DURING
A QUIET PERIOD. UNFORTUNATELY, BUT PROBABLY
UNAVOIDABLY, THE SPD POLITICIANS UNDER HIM LOOK
EVER MORE LIKE CAREERISTS SEEKING SAFE JOBS AND IT
WOULD BE HAZARDOUS TO TRY TO NAME ANYONE IN THE
RANKS OF THE CDU OR THE FDP WHO HAS WHAT IT TAKES
TO BECOME A NATIONAL GERMAN FIGURE. TO EXPRESS THE
BALANCE: THE CITY IS WELL GOVERNED, DESPITE ITS
MUCH PUBLICIZED CONSTRUCTION SCHAUDALS AND A LACK
OF IMAGINATION IN MANY OF ITS LEADERS, AND BONN IS
SUPPLYING MORE AID THAN EVER AND THAT AI IS
POSSIBLY BETTER CHanneled THAN BEFORE. IF, AS MANY
BELIEVE THE FRG ECONOMY IS AT LONG LAST ON ITS
WAY TO FULL RECOVERY, BERLIN SHOULD FOLLOW WITH
THE USUAL TIME LAG.

9. WITH RJTO POLITICAL RELATIONS BETWEEN
BERLIN AND BONN, WE WOULD STRESS THAT WHATEVER
BONN'S INCLINATIONS, THE BERLIN LEADERSHIP WILL
ALWAYS CLAMOR FOR A GREATER ACROSS-THE-BOARD FRG
PRESENCE. WE HAVE HEARD REPEATEDLY FROM SCHUETZ,
OXFORD AND OTHERS THAT THE "LET'S KEEP BERLIN QUIET"
APPROACH, FAVORED IN SOME BONN CIRCLES, IS SIMPLY
NOT ENOUGH FOR A CITY WHICH NEEDS CONSTANT
TRANSUSIONS OF ONE SORT OR ANOTHER, I.E., A
QUIET BERLIN IS A DEAD BERLIN. SCHUETZ, THEREFORE,
CHOSE TO SAY IN HIS ANNUAL PRESS STATEMENT THAT
BERLIN IS CARRYING THE GERMAN NATIONAL BURDEN
DESPITE HIS KNOWLEDGE THAT THIS THEME IS NOT WELL
RECEIVED IN THE SCHMIDT CHANCELLORY. (ELECTION
YEAR REQUIREMENTS MAY OF COURSE MAKE THIS NOTE
MORE POPULAR NOW.) SCHUETZ INTENDS TO GO RIGHT
ON SAYING SUCH THINGS, WHETHER OR NOT THEY SIT
WELL IN BONN, MUCH LESS IN EAST BERLIN OR MOSCOW.

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10. IT APPEARS TO US IN BERLIN THAT THE SCHMIDT-SCHUETZ RELATIONSHIP IS WORKING SATISFACTORILY, SCHUETZ NEEDS TO ESTABLISH A PROFILE THE INDEPENDENT, BERLIN-MOTIVATED LEADER AND DEFENDER; HE CAN ONLY GAIN POLITICALLY WHEN SCHMIDT IS REPORTED TO BE TIRED OF BERLIN'S IMPORTUNING. THE CHANCELLOR IS SOMETIMES CHARGED WITH INDIFFERENCE TO BERLIN, BUT IN HIS PRAGMATIC WAY HE SEEMS TO BE DOING AS MUCH FOR THE CITY AS ANY OF HIS PREDECESSORS. IT IS OFTEN NOTED THAT THERE IS NO "BERLIN MAFIA" AROUND SCHMIDT AS THERE WAS WITH BRANDT. NEVERTHELESS, WE UNDERSTAND THAT BERLIN SENATOR FOR FEDERAL AFFAIRS STOBBE IS VERY EFFECTIVE IN DEFUSING FRICITION, AND WE HAVE ONE REPORT THAT PETER MAENNING IS TO BE NAMED SCHMIDT'S CAMPAIGN MANAGER, WHICH WOULD PUT A DEDICATED BERLINER VERY MUCH INTO THE INNER CIRCLE. WE NOTE IN CONCLUSION THAT THERE ARE NO PARTIAL INSTRUCTIONS BETWEEN THE SHORT-OR LONG-TERM INTERESTS OF BERLIN AND THE FRG. SAVE THAT, HOWEVER BONN MAY FEEL, BERLINERS OF ANY STRIKE WILL BE MORE ACTIVIST IN DEMANDING MORE FRG PRESENCE, FINANCIAL HELP, AND ASSISTANCE ABROAD IN THE SENSE OF BEING INCLUDED IN INTERNATIONAL ARRANGEMENTS. BERLINERS, WITH SCHUETZ IN THE LEAD, CAN ALSO BE EXPECTED TO BE MORE VOCIFEROUS THAN PEOPLE IN BONN IN RESPONDING TO PERCEIVED SOVIET-GDR ATTACKS OR PRESSURES ON THE CITY. THERE IS NO DOUBT THAT SCHUETZ OFTEN SOUNDS OFF AGAINST THE SOVIETS OR GDR WHEN SCHMIDT WOULD RATHER HE KEEP QUIET; THERE IS ALSO NO DOUBT HE WILL CONTINUE TO DO SO.

11. WE BELIEVE THAT BRITISH AND FRENCH BASIC POLICY TOWARD BERLIN IS MUCH THE SAME AS OUR OWN. OUR

BRITISH AND FRENCH CONTACTS HERE SAY AS MUCH. WITH RESPECT TO DAY-TO-DAY DEALINGS IN BERLIN, THE BRITISH TAKE SENATE AND GERMAN VIEWS INTO CONSIDERATION MUCH MORE THAN THE FRENCH AND THEY ARE MORE WILLING TO COMPROMISE. THE FRENCH ARE WILLING OR EVEN EAGER ON OCCASION TO GIVE A FLAT NO TO THE GERMANS

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AND ACCEPT WHATEVER CRITICISM THEY RECEIVE; WE SUSPECT THAT THE FRENCH VIEW IS MORE THE RESULT OF

PARIS' INTENTION OF MAINTAINING A DIRECT ROLE IN
GERMA AFFAIRS AND USING THEIR OCCUPATION ROLE IN
BERLIN AS A POLITICAL LEVERL AGAINST THE FRG THAN
FROM ANY REAL DIFFERNCE IN VIEWS ON THE STATUS OF
THE CITY. HOWEVER, THEY DO TEND LOCALLY TO PLACE
MORE EMPHASIS ON STRICT INTERPRETATION OF THEQA
THENWE OR THE BRITISH. WE BELIEVE THAT THIS
PURIST APPROACH RESULTS ESSENTIALLY FROM TJE FACTS
THATTHE PRESENT FRENCH FONMINISTER WAS ONE OF THE
QA NEGOTIATORS AND THAT THE THEN FRENCH POLITICAL
ADVISER IS STILL HERE IN THE SAME POSITION. THE
FRENCH ATTITUDE TOWARD THE QA SOMETIMES SEEMS
LIKE THAT OF THE SOVIETS: THE QA REPRESENTS A
DELICATE BALANCE AND THERE SHOULDBE NO CHANGE OF
ANY SORT IN BERLIN, LEST THEBALANCE BE DISTURBED
AND THE QA GO DOWN THE DRAIN.

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12. SOVIET - GDR POLICY: THE 1975, AS IN ALL POST QA YEARS, THE SOVIETS AND THE GDR KEPT UP THEIR CONSTANT ATTACKS ON THE BONN-BERLIN RELATIONSHIP. BY CONTRAST, THEY MADE NO EFFORT TO IMPINGE UPON ALLIED RIGHTS IN THE CITY AND THE SOVIETS, IN PARTICULAR, WERE OFTEN COOPERATIVE DURING SMALL INCIDENTS INVOLVING THE ALLIES. STRETCHING THEIR QA INTERPRETATIONS TO THE LIMITS, HOWEVER, THE EASTERN SIDE PROTESTED SUCH TRADITIONAL PRACTICES AS VISITS TO
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THE CITY BY FOREIGN DIGNITARIES (RABIVPN SOUTH AFRICAN FOREIGN MINISTER MUELLER, AND FOREIGN MINISTER GENSCHER IN THE COMPANY OF SECRETARY KISSINGER), THE LOCATION OF NEW WEST GERMAN INSTITUTIONS IN THE CITY, AND THE EUROPEAN COMMUNITY'S DECISION TO PLACE ITS VOCATIONAL TRAINING CENTER IN BERLIN. HOWEVER, SOVIET-GDR PRESSURE WAS NOT ACCOMPANIED DURING THE YEAR BY REAL HARASSMENT SUCH AS OCCURRED WHEN THE FEDERAL ENVIRONMENT AGENCY WAS SET UP IN BERLIN THE SUMMER OF 1974. THE MUCH LARGER SOVIET OBJECTIVES AT CSCE, SALT, MBFR, AND IN FOREIGN TRADE RELATIONS APPARENTLY OVER-SHADOWED WHATEVER INCHOATE MOSCOW DESIRE THERE MIGHT HAVE BEEN TO STIR UP THE BERLIN SITUATION. BUT THERE WERE ALSO NUMEROUS INSTANCES. THE PAST YEAR--ENOUGH TO SUGGEST A COORDINATED CAMPAIGN--OF SOVIET AND GDR UNWILLINGNESS TO ACCEPT THE FRG'S REPRESENTATION OF BERLIN'S INTERESTS AS CONFIRMED IN THE QA, AND TO PORTRAY THEMSELVES INSTEAD AS IN THE PROCESS OF CREATING A SUBSTANTIAL BODY OF AGREEMENTS THAT REPRESENTED NORMALIZATION OF THEIR RELATIONS WITH "WEST BERLIN".

13. ADDED TO THE STEADY FLOW OF PROTESTS WAS THE STATEMENT OF EASTERN POLICY CONTAINED IN THE SOVIET-GDR FRIENDSHIP TREATY OF OCTOBER 7. ARTICLE 7 OF THAT TREATY IMPLIED, THROUGH A DISTORTED REFERENCE TO THE QA, THAT THE SOVIETS, THE GDR, AND PRESUMABLY THEIR EAST EUROPEAN ALLIES, WOULD SEEK TIES TO WEST BERLIN OF THE SAME SORT AS THOSE OF THE FRG. THIS OBJECTIVE CARRIES WITH IT THE POSSIBLE PLUS FACTOR THAT WEST BERLIN MIGHT

JUST NOW BEABLE TO ENHANCE ITS COMMERCIAL AND CULTURAL RELATIONS WITH THE GDR AND EASTERN EUROPE; CERTAINLY, THOSE BERLINERS WHO ARE TODAY WORKING ON THE OPENING OF TH EAST-WEST COOPERATION CENTER HOPE FOR SUCH A RESULT. THE DANGER, HOWEVERR, REMAINS THAT THE PRICE OF SUCH A MORE FORTHCOMING EASTERN ATTITUDE MIGHT BE THE WEAKENING OF TIES WITH THE FRG. A EUROPEAN HONG KON COULD ADMITTEDLY BE OF USE TO THE EUROPEAN COMMUNIST WORLD BUT IT CONFIDENTIAL

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WOULD LEAD TO A CRISIS OF CONFIDENTCE IN THE CITY.

14. DESPITE THEWAR OF DIPLOMATIC NOTES, THE SOVIETS AND THE GDR MADE LITTLE PROGRESS TOWARD THEIR OBJECTIVE OF A GREATER CLE IN THE WESTERN SECTORS. THE PRESENCE OF A SOVIE CONSULATE GENERAL WAS NO LONGER A NOVELTY AND CONSUL GENERAL SHARKOV, WE SENSE, LOST SOMETHING OF HIS CELEBRITY STATUS. THOSE SOVIET PERFORMERS WHO APPEAR IN THE CITY RECEIVED ABOUT THE SAME TREATMENT AS THEIR ARTISTIC PEERS FROM ELSEWHERE THE VYATKAN ESPIONAGE CASE, LOW LEVEL THOUGH IT WAS, MAY HAVE TARNISHED THE SOVIET IMAGE IN THE CITY. FOR ITS PART, THE GDR DID LITTLE TO TAKE GREATER ADVANTAGE OF A WESTERN CITY JUST ACROSS WHAT IT REAGRADS AS ITS BORDER. ALTHOUGH GDR TRADE OFFICIALS MADE DISCREET VISITS TO WEST BERLIN TO MEET WESTERN BUSINESSMEN, THE GDR FAILED TO PARTICIPATE IN WEST BERLIN'S TECHNICAL WEEKS AND THE LEVEL OF TRADE REMAINED SMALL. NOTWITHSTANDING OCCASIONAL REMARKS BY AMBASSADOR ABRASIMOV AND OTHER SOVIETS THAT THE SOVIET UNION SHOLD BE CONSULTED ON WEST BERLIN MATTERS, THE SOVIETS NEVER PRESSED THE POINT NOR DIDBHEY ASK FOR QA CONSULTATIONS DESPITE SOME FEARS THEY MIGHT DO SO.

15. THERE ARE INDICATIONS THAT THE SOVIETS AND EAST EUROPEANS MAY CONSIDER THAT THIR INTERESTS DIVERGE FROM THOSE OF THEGDR IN THE SENSE THAT THEY BELIEVE THE OVERWHELMING FRG PREOCCUPATION WITH ALL-GERMAN MATTERS DEGRADES FRG MOTIVATIONS AND RESOURCES FOR A MORE EXPANSIVE EASTERN POLICY WITH THE RST OF THE BLOC. THERE ARE SOMEREPORTS OF EVIDENTLY UNSATISFIED CURIOSITY AS TO THE NATURE OF FRG-GDR NEGOTIATIONS(E.G., BY THE USSR), OF WONDERMENT AT THE SIZE OF FRG FINANCIAL HELP TO THE GDR(E.G., IN SWING CREDIT AND TRAFFIC PAYMENTS), AND APPREHSNSION AS TO WHETHER THIS MAY LEAD O REDUCED INTERSTS IN COMPLETING OTHER BLOC ARRANGE-

MENTS(E.G., RATIFYING THE POLISH AGREEMENTS). SUCH
SUSPICIONS IMPV A SUBSTANTIAL DURABILITY AND
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VITALITY OF INNER-GERMAN INTERSTS ON BOTH SIDES
OF THE ELBE, BUT THERE IS NO REASON TO BELIEVE
THEY WILL AFFECT BLOC SOLIDARITYON THE MAIN LINE
OF SOVIT POLICY TOWARDS BERLIN.

16. BERLIN ECONOMY: THE CITY'S ECONOMY FOLLOWED
THAT OF THE FRG DOWNHILL DURING MOST OF 1975.
FRG AND LOCLOCAL ECONOMIC FORECASTES HAD PREDICTED
THE DOWNWARD DRIFT, BUT IT ENT SOMEWHAT FURTHER
THAN WAS GENERALLY EXPECTED. UNEMPLOYMENT REACHED
ITS HIGHEST LEVELS FOR DECADES AND GROSS SOCIAL
PRODUCT PROBABLY DIPPED TWO PERCENT IN REAL TERMS.
THE DECISION OF TWO AMERICAN COMPANIES, NATIONAL
CASH REGISTER AND PITNEY -BOWES, TO CEASE MANUFACTURING
OPEATIONS IN BERLIN WAS EXPLICABLE ON RATIONALIZATION
GROUND BUT NONETHELESS
CAUSED DISMAY AS DID SOME
RPRODUCTION CUTBACKS BY WEST GERMAN CORPORATIONS.
THERE WERE ALS BRIGH SPOTS, HOEVER, SCHERING, SIEMENS
AND OTHER MAJRO FRG CORPORATIONS HAVE COMMITED
THEMSELVES TO HEAVY NEW INVERSTMENTS IN BERLIN OVER
THE COMING YEARS. CHANCLLOR SCHMIDT'S BRINGING
TOGETHER OF FRG CORPORATIONS AND IDUCING THEM TO
GIVEKEY EXECUTIVES SPECIAL RESPONSIBILITY FOR
LOOKING OUT FOR BERLI SEEMS LIKELY TO PRODUCE
SOME RESULTS. ALTHOUGH THE VALUE OF FOREIGN
CONTRACTS FELL IN SOME MONTHS MOR IN PERCENTAGE
TERMS THAN IN THE FRG, BERLIN COMPANIES CONTINUED
TO RECEIVE LARGE FOREIGN CONTRACTS DURING THE
YEAR. THE GDR-FRG ARRANGMENTS CONCLUDED AT THE
END OF 1975 CARRY WITH THE PROMISE OF BETTER
AND FASTER RAIL AND ROAD TRANSPORT TO THE FRG, WHILE

THERE IS NOW AT LEAST THE POSSIBILITY OF THE RE-
OPENING OF THE TELTOW CANAL, WHICH WOULD BENEFIT
WEST BERLIN'S ECONLMY(ALONG WITH SOME EASTERN
TRANSIT SHIPPING). A POTENTIAL GDR-SENAT ISSUE IN 1976 IS THE
FUTURE OF THE GDR-OPERATED S-BAHN SYSTEM IN WEST BERLIN.
IN THE LAST ANALYSIS ANY ACTION LEADING TO THE
POSSIBLE TRANSFER OF OPERATION OF THIS SYSTEM
TO WEST BERLIN MUST BE INITIATED BY THE GDR, AND AS
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YET IT IS STILL UNCLEAR WHAT GDR PLANS ARE,
DESPITE GDR UNHAPPINESS WITH THE
S-BAHN JLB WE SHOULD CONTINUE TO PERMIT THE BERLIN SENAT
TO BE RECEPTIVE TO GDR SOUNDINGS ON THIS SUBJECT TO
ATTEMPT TO ASCERTAIN GDR INTENTIONS WITHOUT ALLOWING
THE SENAT OR OURSELVES TO BECOME PREMATURELY
COMMITTED TO ANY PARTICULAR ARRANGMENTS. VERY
CLOSE CONSULTATIONS WITH THE SENAT, AND POSSIBLY
THE FRG, WILL BE REQUIRED TO INSURE THAT ALLIED
RIGHTS AND INTERESTS ARE PROTECTED.

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 MMO-01 PER-01 CU-02 /034 W

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FM USMISSION USBERLIN

TO SECSTATE WASHDC 1920

INFO AMEMBASSY BERLIN UNN

AMEMBASSY BONN

USEC BRUSSELS 1048

AMEMBASSY LONDON

AMEMBASSY MOSCOW

USMISSION NATO

AMEMBASSY PARIS

AMEMBASSY VIENNA

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

USCINCEUR

CINCUSAREUR

CINCUSAFE

USELMLO

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USCINCEUR FOR POLAD

CINCUSAREUR FOR POLAD

CINCUSAFE FOR POLAD

17. POLITICAL EXTREMISM: EXTREMIST ACTIVITIES HAVE SUBSIDED IN BERLIN ADN THE FRG SINCE MID-1975, BUT THEY REMAIN A DANGER. WHILE POLITICAL DISORDERS OCCURRED OCCASIONALLY AT THE FREE UNIVERSITY AND THE TECHNICAL UNIVERSITY, THE LEVEL OF VIOLENCE FELL FAR SHORT OF PREVIOUS YEARS. AGITATION BY SMALL LEFT-WING GROUPS SEEMED ON THE DECLINE AS WELL AND THE EXTREMIST PARTIES OF ALL SHADES MADE A PITIFUL SHOWING IN THE MARCH ELECTIONS. DESPITE
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SOME FEARS TO THE CONTRARY, MOST NOTABLY BY THE UNION LEADERSHIP, WE HAVE SEEN LITTLE OBJECTIVE EVIDENCE TO SUGGEST THAT THE NON-DEMOCRATIC LEFT HAS MADE MAY SIGNIFICANT PROGRESS TO DATE IN ITS EFFORTS TO PENETRATE THE CITY'S LEADING INSTITUTIONS. THEHYEAR'S MOST SPECTACULAR EVENT WAS THE KIDNAPPING OF CDU CHAIRMAN LORENZ BUT IT APPEARS LIKELY NOW THAT THE 1975 TERRORIST TACTICS OF THE 2 JUNE MOVEMENT REPRESENT THE BITTER END OF ONE LONG WAVE OF LEFT-WING AGITATION IN BERLIN RATHER THAN AN UPSURGE OF FRESH REDICALISM, FOR WHICH THEIR RESOURCES ARE NOW MUCH DIMINISHED. AT ANY RATE, MOST OF THE TERRORISTS INVOLVED IN THE LORENZ KIDNAPPING ARE NOW UNDER LOCK AND KEY AND THE MUCH-MALIGNED BERLIN POLICE FORCE IS RECEIVING DUE CREDIT FOR SOME HARD WORK, A CHANGE IN ATTITUDE THAT HAS HELPED POLICE MORALE.

18. FUTURE US POLICY TOWARD BERLIN: US POLICY TOWARD BERLIN CALLS FOR NO RADICAL DEPARTURES. OUR COMMITMENT TO THE CITY MUST REMAIN CLEAR AND WE WILL NEED, AS IN POAST YEARS, TO SELECT THE OCCASIONAL MOMENT TO RESTATE THAT COMMITMENT AND TO SEND PROMINENT AMERICAN VISITORS TO BERLIN. AS WE HAVE IN THE PAST, WE SHOULD REMAIN ATTENTIVE TO ALLIED RIGHTS AND STATUS, EVEN WHEN THE FRG REQUESTS GREATER FLEXIBILITY IN THE INTEREST OF CONCLUDING A SPECIFIC NEGOTIATION. THIRTY YEARS OF EXPERIENCE IN POST-WAR BERLIN HAVE DRIVEN HOME THE LESSON THAT IT IS PRECISELY WHEN ONE BECOMES CARELESS ABOUT STATUS AND ABOUT PINNING DOWN DETAILS, PREFERABLY IN WRITING, THAT THE EASTERN BERLIN-WATCHERS START CHOOSING TARGETS OF OPPORTUNITY.

19. OUR ONLY PURPOSE IN REMAINING CAUTIOUS AND ATTENTIVE TO DETAIL IN BERLIN IS TO PRESERVE OUR ABILITY TO DEFEND BERLIN AGAINST THE EAST. IT IS,

AFTER ALL, NOT THE FRG, BUT THE SOVIETS AND THE GDR
WHO QUESTION THE EXISTENCE OF WEST BERLIN. WE
MUST ACT NOT OUT OF FEAR OF A SOVIET REACTION BUT
TO PLACE OURSELVES IN A POSITION TO DEFEND THE CITY
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IN THE EVENT OF A SOVIET REACTION. THIS MEANS THAT
THE DECISIONS WE TAKE ON BERLIN MUST BE TAKEN
ON THEIR MERITS, NOT TO PLEASE OUR FRG ALLY OR TO
APPEASE THE EAST (WHICH WOULD OF COURSE SIMPLY
ESCALATE ITS DEMANDS AS A RESULT). THIS PRINCIPLE,
WE SHOULD ADD, IS WELL UNDERSTOOD IN GERMAN CIRCLES
IN BERLIN IF NOT ALWAYS IN BONN.

20. IT IS LIKELY THAT THE ALLIED RESPONSIBILITY
FOR CIVIL AVIATION WITH ALL THE ATTENDANT COMMERCIAL,
SECURITY, AND OTHER PROBLEMS, WILL OCCUPY THE
ALLIES HERE AS MUCH AS ANYTHING DURING 1976. IT
MAY PROVE NECESSARY, AS IT HAS IN THE PAST, TO
BALANCE THE COMMERCIAL INTEREST OF AIRLINES AGAINST
THE LONGER-TERM INTERESTS OF THE CITY TO RESOLVE
SOME DIFFICULT QUESTIONS. THIS MAY PROVE MORE
DIFFICULT IN THE CASE OF FRENCH AND BRITISH CARRIERS
THAN WITH PANAM. HOWEVER, THE US SHOULD PROCEED
ON THE BASIS THAT EVERYONE'S INTERESTS MUST BE
RESPECTED, INCLUDING THOSE OF THE BERLIN POPULATION
AND THAT, IN THE END, AN EVENHANDED POLICY TOWARD
BERLIN CIVIL AVIATION WILL BENEFIT THE AIRLINES AS
MUCH AS ANYONE. A SIMILAR IMPARTIALITY WILL BE
NEEDED SHOULD UNUSUAL DIFFICULTIES ARISE IN UPCOMING
UNION-MANAGEMENT NEGOTIATIONS AFFECTING PANAM
AND BRITISH AIRWAYS. WE DO NOT EXPECT THAT THE
QUESTIONS OF THE RECENT PAST, SUCH AS A LUFTHANSA
STOP-OVER EN ROUTE TO MOSCOW OR NON-ALLIED CARRIERS
USING TEGEL, ARE LIKELY TO REEMERGE DURING 1976
GIVEN THE OBVIOUS GDR EFFORT TO ESTABLISH SCHOENEFELD
AS A FULL-FLEDGED RIVAL TO TEGEL FOR THE BERLIN
AIR MARKET.

21. WITH RESPECT TO EASTERN POLICY TOWARD BERLIN,
THE US MUST START FROM THE PREMISE THAT THE EAST
HAS SO FAR SHOWN NO INTEREST IN SEEING WEST BERLIN
PROSPER. THE "SHOWCASE" EFFECT OF WEST BERLIN ON
EAST BERLIN IS NO LONGER THE STUFF OF THE DAILY
PRESS, BUT IT REMAINS. IF A MORE RELAXED EASTERN
STANCE DEVELOPS, SO MUCH THE BETTER, BUT WE SHOULD
NOT EXPECT IT. SOVIET AND GDR BERLIN INITIATIVES WILL
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REMAIN FOR THE ALLIES A SENSITIVE AREA, NOT SUSCEPTIBLE TO PREPLANNING. DELICATE LINES ALWAYS WILL NEED TO BE DRAWN BETWEEN FORBIDDING "DEALS" OR THE APPEARANCE OF "DEALS" OVER THE HEADS OF THE WEST BERLINERS ON THE ONE HAND, AND PERMITTING BERLIN TO BENEFIT FROM FUTURE RELAXATIONS OF TENSION ON THE OTHER. IF GDR NEGOTIATIONS WITH THE FRG OR THE SENAT GENERALLY BRING WITH THEM LEGAL PROBLEMS, THEY OFTEN CONTAIN AS WELL THE PROMISE OR FACT OF IMPROVEMENTS IN THE BERLIN SITUATION. THERE CAN THUS BE NO HARD AND FAST RULES WITH WHICH TO REACT TO AS YET UNCLEAR EASTERN POLICIES SAVE THAT AN INTELLIGENT ANALYSIS OF POSSIBLE BENEFITS TO THE CITY AND POSSIBLE DETRIMENT TO ITS STATUS OVER THE SHORT AND THE LONG TERM MUST BE MADE IN EACH CASE. GENERALLY SPEAKING, THE QA CONTINUES TO REPRESENT A STABLE ELEMENT IN THE OVERALL "DETENTE" RELATIONSHIP BETWEEN THE US AND THE USSR, WHATEVER FRICTIONS AND STILL UNRESOLVED DISAGREEMENTS PERSIST IN OTHER AREAS.

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 MMO-01 PER-01 CU-02 /034 W

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FM USMISSION USBERLIN

TO SECSTATE WASHDC 1921

INFO AMEMBASSY BERLIN UNN

AMEMBASSY BONN

USEC BRUSSELS 1049

AMEMBASSY LONDON

AMEMBASSY MOSCOW

USMISSION NATO

AMEMBASSY PARIS

AMEMBASSY VIENNA

AMCONSUL BREMEN

AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
RUFDAAAA/CINCUSAREUR
CINCUSAFE
USELMLO

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CINCUSAREUR FOR POLAD
CINCUSAFE FOR POLAD

22. THERE HAS FORUTNATELY BEEN NO DISCERNIBLE
DECLINE IN THE FRG'S WILLINGNESS TO AID THE CITY.
IN 1975, A TIGHT BUDGET YEAR, THE FRG PUMPED AN
ESTIMATED 9.6 BILLION MARKS INTO THE CITY THROUGH
DIRECT OR INDIRECT SUBSIDIES. THE CITY LIVES
FINANCIALLY ON THIS LARGE SUBSIDY, ALTHOUGH EVEN
MORE IMPORTANT IS THE PSYCHOLOGICAL UNDERPINNING
THAT THE FRG PROVIDES FOR THE CITY. OBVIOUSLY, THE
US SHOULD ENCOURAGE THE FRG TO CONTINUE TO PLAY ITS
PART IN AN JOINT EFFORT IN WHICH THE ALLIES PROVIDE
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THE POLITICAL BACKING AND THE ESSENTIAL SECURIY
AND THE FRG THE NTWORK OF ECONOMIC, SOCIAL, AND
PERSONAL RELATIONSHIPS ON WHICH THE ISLAND CITY LIVES
FROM DAY TO DAY.

23. EC ISSUES AROSE IN 1975 AND MAY BE WITH US
AGAIN IN 1976. THUS FAR THE QUESPON OF BERLIN
PARTICIPATION IN DIRECT ELECTIONS TO THE EUROPEAN
PARLIAMENT HAS BEEN THE MAIN ISSUE BEFORE US. AT
THE END OF THE YEAR, A CONSENSUS WE REGARD AS
ABOUT RIGHT APPEARED TO BE DEVELOPING TOARD AN
INDIRECT ELECTIN PROCEDURE IN WHICH THE BERLINERS,
ONCE SEATED IN THE EUROPEAN PARLIAMENT, WOULD
ENJOY THE SAME RIGHTS AS THEIR FELLOW DEPUTIES.
THIS CONSENSUS SUGGESTS A GENERAL THRUST FOR THE
FUTURE IF THE EUROPEAN COMMUNITY MOVES AHEAD AND
RAISES NEW QUESTIONS FOR BERLIN AS IT GOES. WE
RECOMMEND A POLICY WHICH REFLECTS THE UNUSUAL
STATUS OF THE CITY ALONG WITH THE NEED FOR IT AS
A VITAL ORGANISM TO MOVEIN TANDME WITH THE REST
OF EUROPE. LEAVING BERLIN BEHIND WHEN AND IF"EUROPE"
INCHES AHEAD WOULD BRING GREATER RISKS WITH IT THAN
FACING UP TO HOSTILE SOVIET REACTION. SURELY WE
CNA FIND MEANS OF RECOGNIZING BERLIN'S UNIQUE LEGAL

STATUS IN EACH SPECIFIC INSTANCE WHILE PERMITTING IT TO SHARE IN ANY FUTURE FRUITS OF EUROPEAN INTEGRATION.

24. THREE THINGS NEED RESTATEMENT ONLY FOR THE RECORD: ALLIED COOPERATION MUST BE SMOOTH AND OUR OCCASIONAL DIFFERENCES CONCEALED FROM THE PUBLIC AS WELL AS POSSIBLE; ALLIED-FRG CONSULTATIONS ON ALL ISSUES -- INCLUDING INTER-GERMAN NEGOTIATIONS-- WHICH HAVE AN EFFECT ON BERLIN MUST BE CLOSE AND TIMELY; AND THE US GARRISON IN BERLIN SHOULD BE EXEMPTED FROM NORMAL BUDGET-TRIMMING CONSIDERATIONS. IN TWO OF THESE CASES WE ARE DEALING WITH POLITICAL SYMBOLISM, WHETHER IT IS A PUBLIC MANIFESTATION OF THE COMMON WESTERN AND ATLANTIC ALLIANCE WILL TO BACK THE CITY COLLECTIVELY, EXEMPLIFIED BY THE THREE ALLIED POWERS' PRESENCE HERE OR THE US

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SECURITY SHIELD IN EUROPE, APPARENT IN BERLIN THROUGH THE PRESENCE OF A MODEST US GARRISON IN THE CITY, THE NUMBERS OF WHICH HAVE NOT SIGNIFICANTLY CHANGED SINCE 1946. IN THE THIRD INSTANCE WE ARE OF COURSE MORE CONCERNED WITH SUBSTANCE.

25. WE BELIEVE THERE IS LITTLE POINT IN OUR PUTTING FORWARD SUGGESTIONS DESIGNED TO CONTRIBUTE TO THE VITALITY AND THE FUTURE VIABILITY OF THE CITY, BUT WHICH THE US CANNOT IMPLEMENT. THIS IS PROBABLY THE ROLE OF OUR GERMAN ALLIES, WHETHER IN BONN, THE LAENDER, OR IN BERLIN. THEY ASK FROM US PRIMARILY THAT WE MAINTAIN THE SECURITY AND STATUS OF THE CITY (INCLUDING OUR REFUSAL TO ACCEPT EAST BERLIN AS THE CAPITAL OF THE GDR), AS THE MAIN EFFORT TO WHICH OUR ENERGIES SHOULD BE DEVOTED. AS A COROLLARY TO THIS MAIN EFFORT, THE GERMANS WANT US TO KEEP OUR FLAG FLYING; TO INDUCE CORPORATIONS TO COME OR REMAIN IN THE CITY, TO SEND IMPORTANT VISITORS HERE, AND KEEP OUR VARIOUS PROGRAMS IN THE CITY WORKING SMOOTHLY; IN SHORT TO DISPLAY AN AMERICAN PRESENCE HERE BEYOND THAT OF THE GARRISON AT AS HIGH AND CONSTANT A LEVEL AS POSSIBLE. BUT IT IS NEITHER OUR RESPONSIBILITY NOR WITHIN OUR POWER TO DO SUCH THINGS AS CHANGE GERMAN BIRTH RATES, TRAIN SKILLED WORKERS, OR PERSUADE YOUNG GERMANS TO RESETTLE IN BERLIN. AND WE SHOULD NOT DELUDE OURSELVES ON THIS POINT.

26. LOOKING INTO THE LONGER TERM, IT SEEMS TO US THAT BERLIN WILL REMAIN AN IMPORTANT ELEMENT IN

US EUROPEAN POLICY. THIRY THIRTY YEARS OF POST-WAR
HISTORY SUGGESTS THAT IN CONFRONTATION AND IN
DETENTE, BERLIN IS DESTINED TO PALY A KEY ROLE IN
EUROPEAN DEVELOPMENT. THESE SAME DECADES ALSO
UNDERLIN THAT THE BERLINRS ARE DURABLE PEOPLE
WHOSE MORAEAL AND INVENTIVENESS RISE WITH
CHALLENGE. WHEN EUROPEAN HISTORY MOVES ON, AS
IT SURELY MUST, BERLIN WILL PROBABLY AGAN BE IN
THE FOREFRONT AND OUR ONW LONG-TERM INTERESTS WILL
BE BEST SERVED IF WE ARE THERE TO HAND OVER TO
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THE FRG? "EUROPE"?, A GERMAN CONFEDERATION(?),
OR WHATEVER, A CITY GRATEFUL TO US FOR A LONG PERIOD
OF INTELLIGNET TRUSTEESHIP. RECOGNIZING THAT THIS
DAY MAY BE FAW AWAY, WE SHOULD ACT AS IF OUR
DECISIONS OF TODAY ARE INTENDED TO STAND UP NOT
JUST RHROUGHT THIS OR THAT TEMPORARY PROBLEM BUT
TO FORM PART OF A BODY OF PRECEDENTS ON WHICH TO
DRAW OVER WHAT MAY BE A VERY LONG TERM INDEED.
OUR BELIEF IS THATTHAT THE BERLINERS WILL BE WITH US
DURING THIS LONG TERM.GEORGE

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